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RUEHGZ/AMCONSUL GUANGZHOU 8810
RUEHHK/AMCONSUL HONG KONG 5640
RUESLE/AMCONSUL SHANGHAI 8212
RUEHSH/AMCONSUL SHENYANG 4835
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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000053

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TAGS: PGOV PREL CH TW

SUBJECT: PRESIDENT CHEN'S NEW YEARS ADDRESS AND GREEN POLITICS

REF: A. TAIPEI 8

1B. TAIPEI 9

Classified By: AIT Director Douglas Paal, Reasons: 1.4 (b/d)

11. (C) Summary: AIT's contacts suggest that President Chen is determined to carry out the policy direction laid out in his tough New Years address, but they stress that his statements do not signal any change in Taiwan's policy toward the cross-Strait status quo. Our contacts claim that Chen's speech was an effort to appease critics within the pan-Green camp who believe he has not been tough enough and also that Chen wanted to signal that he will not bow to opposition insistence on speeding the opening of cross-Strait economic relations. DPP contacts from the reform wing of the party fear that Chen's retreat to fundamentalist positions, if it continues, will guarantee further election defeats and consign the DPP to status as a minority rather than a ruling party. End Summary.

12. (C) National Security Council (NSC) Senior Advisor Chen Chung-shin told AIT that President Chen's tough New Years Day address was written by NSC Senior Advisor Lin Jin-chang, who has been President Chen's primary speechwriter since the period when Chen was mayor of Taipei. Chen also said that President Chen took a great deal of personal interest in this speech, making many changes and additions. DPP Legislator Hong Chi-chang told AIT that a close friend called him on New Years Eve to say that President Chen had told him that this speech would be "very important" and that the president would follow the course set out in the speech regardless of the reaction of the PRC or the U.S. Although the U.S. has encouraged the PRC to talk to Taiwan's elected leaders, President Chen reportedly explained to Hong's friend, he has not seen this happen. Hong also said that Vice President Lu Hsiu-lien welcomed Chen's speech as a "fundamental change" because it does not include Chen's prior commitments not to change the status quo (i.e, the "four nos and one no change").

13. (C) Despite Vice President Lu's reported comment, our contacts have taken pains to stress to us that Chen is not trying to change the cross-Strait status quo. Although Chen did not reiterate the "four nos and one no change" in his speech, this policy has not changed, NSC Chen told AIT,

adding that he has also passed this message to the PRC through informal channels. The NSC's Chen and other DPP contacts have also told AIT that the new constitution referred to by Chen would not touch sensitive issues such as sovereignty and the national name. Several contacts have pointed out that Chen's idea about a new constitution is clearly impractical, given the DPP's weakness and its minority status in the Legislative Yuan (LY), and they interpret Chen's proposal as a sop to fundamentalist critics.

In addition, given Chen's record of flip-flopping, Hong doubts that the president will be consistent in maintaining his new tougher policy line over the remaining two years of his tenure.

¶4. (C) In explaining the thinking behind President Chen's tough New Years Day address, Hong said that President Chen believes he has not received any positive response from the PRC to his goodwill cross-Straight gestures but that he has been "punished" by former President Lee Teng-hui and other independence fundamentalists. Hong and a number of other DPP contacts suggest that President Chen's tough statement was primarily an effort to quiet independence fundamentalist critics within the Green camp and stabilize his own power by taking a firm stance on core DPP positions such as Taiwan identity, self-determination, tightening cross-Straight relations, and a new constitution. Other AIT contacts suggest that Chen wished to demonstrate that, despite the DPP's defeat in December 3 local elections, he would not back down on cross-Straight policy in the face of opposition pressure.

¶5. (C) According to Hong, Chen's speech seems to have struck a responsive chord among DPP base supporters judging from call-in programs. The three candidates for DPP party

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chairman have all endorsed Chen's remarks, Hong noted, and leaders of major factions other than New Tide, including Welfare State Alliance and Justice Alliance, have fallen into line in support of the president. Lee said that the New Tide faction, in criticizing President Chen's statements on tightening management of cross-Straight economic relations and on pushing for a new constitution that is impractical and will exacerbate confrontation between the ruling and opposition parties, hopes there will be a policy debate within the DPP about its future direction prior to the critical 2007-2008 election period.

¶6. (C) Many of AIT's contacts stress that the December 3 election defeat was an unprecedented setback both for the DPP and for President Chen personally. Several of them note that the sense of crisis generated by the election defeat has strengthened the position of fundamentalists within the party. DPP Legislator Hsiao Bi-khim told AIT prior to Chen's address that this is the most depressing period for the DPP since she entered politics fifteen years ago, and she noted the increase in fundamentalist views she is hearing from DPP supporters. In addition to DPP supporters being disappointed with the DPP leadership generally, and Chen Shui-bian personally, over the corruption problems that led directly to the election defeat, Hsiao said she is also hearing concern that the KMT will come back into power and &lose Taiwan⁸ to China. Such views are especially common in southern Taiwan and are fueling the fundamentalist view that the DPP must make greater efforts to &protect Taiwan.⁸ It is becoming impossible to advocate moderate cross-Straight views in DPP townhall meetings, Hsiao added.

¶7. (C) Prominent DPP politician Shen Fu-hsiung told the Deputy Director that the DPP is in a downward spiral and is being held hostage by the fundamentalists, who are quick to attack those who question party dogma or advocate moderate positions. DPP Legislator Lee Wen-chung and defeated Taipei County Magistrate DPP candidate Luo Wen-jia both suggested to AIT that the DPP is becoming once more the "thirty percent" fundamentalist party it was before it adopted a moderate line

to attract swing voters. If this trend continues, Lee predicted that the DPP will have a very hard time in the 2007 Legislative Yuan (LY) and 2008 presidential elections. As happened in the recent county/city elections, Lee said, the future DPP legislative contingent may be reduced to southern Taiwan, and the DPP faces the unpleasant prospect of losing every election district in Taiwan, except possibly Pingtung County (the home district of Su Tseng-chang, the likely DPP candidate) in the 2008 presidential election.

¶8. (C) On January 15, the DPP will elect a new chairman, and most of our contacts expect former Presidential Office Secretary General Yu Shyi-kun to win the three-way race

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against Legislator Trong Chai (Tsai Tong-rong) and former Changhua County Magistrate Wong Chin-chu (Weng Chin-chu). While Wong is kind and strong on integrity, she has limited capability, experience, and name recognition, in the view of our contacts. Some contacts are concerned that fundamentalist Trong Chai might win if the factions that support him mobilize voters in an election where turnout is usually low. The DPP chairman normally does not have much power, and Yu, if elected, is expected to be cautious, work for party unity, and to closely follow President Chen. Trong Chai, on the other hand, is likely to stir up controversy by pushing independence related themes. However, Trong will not be in a position to challenge the President Chen, who has much greater powers.

Comment

¶9. (C) The DPP was able to win power in 2000 by playing down fundamentalist independence themes and emphasizing a program of clean government and reform that appealed to swing voters, many of whom turned away from the KMT over corruption issues.

Following the December 3 defeat, largely blamed on the DPP's corruption and its failure to carry through on reforms, Chen has retreated to intransigence on DPP core themes. If the DPP continues down this course, it seems bound to further

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alienate potential swing supporters and to continue losing elections. Reformers within the DPP hope to stimulate a policy debate that will lead the party to adopt a non-ideological, winning platform, but they have a very tough road ahead because of their small numbers and the strong influence of the fundamentalists. Indeed, Ma Ying-jeou's call today for legislation or even a referendum on direct flights to the mainland reflects his sense that Chen has made the DPP vulnerable to a KMT offensive.

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